

# STATE OF IDAHO TAX UPDATE

VOLUME SIXTEEN – NUMBER ONE

JUNE 2004



This issue of Tax Update deals with new tax laws and other topics. If you have questions about this material or if you need more information, contact the Idaho State Tax Commission.

## Withholding Changes Benefit Businesses

If you're an employer, you have fewer reports to file with the Idaho State Tax Commission as a result of 2004 legislation. As of January 1, 2004, you no longer need to file a quarterly withholding return (Form 958). Instead, you will make income tax withholding payments based on your filing cycle. You will use the Form 956 to reconcile your payments annually with the actual amount of tax you withheld. The Form 956 is due on January 31.

We sent information to employers in March and April and mailed a revised edition of *A Guide to Income Tax Withholding* at the end of May. For more information about the withholding changes, call us or visit our Web site at [www.tax.idaho.gov](http://www.tax.idaho.gov) (click on the Withholding News button).

While the withholding changes have been relatively smooth, there are some points we'd like to emphasize.

### WITHHOLDING PAYMENT TAX PERIODS

Your withholding tax period is based on your filing cycle. For monthly filers, the withholding tax period reflects the month you

taxes withheld in January, February, and March has a tax period of "03." For split-monthly filers, the tax period crosses months and is based on how you're paying the taxes withheld. Please refer to page 13 of *A Guide to Income*

*Tax Withholding* to find detailed charts that help you determine the tax period. You can also find the charts on our Web site (click on the Withholding News button, FAQs, then FAQ #909).

withheld income tax from your employees' wages. For example, payment for taxes withheld in January has a tax period of "01."

For quarterly filers, the withholding tax period reflects the last month of the quarter for which you withheld income tax from your employees' wages. For example, payment for

### RECORD OF IDAHO WITHHOLDING PAYMENTS

You should track your payments by your filing cycle period to help you reconcile the payments with the actual amount of tax you withheld at the end of the year. The Tax Commission has created a Record of Idaho Withholding Payments to help you with this. You can get a copy on our Web site (click on the Withholding News button).

## Idaho Adopts One Federal Depreciation Law, But Not Another

The 2004 Idaho Legislature adopted the increase in the IRC section 179 "expense deduction." Section 179 allows you to elect to expense the cost of depreciable property purchased for use in the active conduct of a trade or business in the year the property is placed in service, rather than depreciate the property over a number of years. Federal law increased the maximum amount you can deduct under section 179 in 2003 through 2005, from \$25,000 to \$100,000. If you elect to claim the expense, you are not

required to adjust or add back this federal deduction when preparing your Idaho return.

However, Idaho did not adopt the first-year "bonus depreciation" provisions permitted by subsection (k) of IRC section 168. If you claimed the bonus depreciation for federal purposes, you must compute a separate depreciation schedule each year for Idaho income tax purposes. In the first year of ownership, the difference will be added to income; in later years, the difference will be subtracted from income.

## New Businesses Can Register Electronically

Idaho's business registration form is now available online at [business.idaho.gov](http://business.idaho.gov).

Currently, the electronic application can only be used to sign up new business accounts. Any changes to an existing business must be made using the paper application. The electronic business registration lets owners apply for the following accounts: sales tax, use tax, income tax withholding, unemployment insurance, Boise auditorium district tax, and travel and convention tax.

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## Exemption, Credits Added; Deduction Changed

The Idaho Legislature granted the Blind Services Foundation, Inc. an exemption from sales and use taxes for purchases by the organization. The organization is not exempt from collecting sales tax when it makes sales.

Two charitable income tax credits were also approved by the Legislature. One adds the Children's Village or its foundation to the list of entities qualifying for the youth and rehabilitation facilities credit. The other adds the Women's and Children's Alliance or its foundation to the entities qualifying for the charitable contributions income tax credit.

The Legislature expanded the income tax credit available to businesses that add new employees who make an average of at least \$15.50 an hour and are eligible for employer-provided coverage under an accident or health plan. The expanded credit is \$1,000 for each employee. The business does not have to be a natural resource-based business (e.g. logging, mining, farming, etc.) to qualify.

You can now deduct all of the premiums you pay for long-term care insurance on your state income tax return. Previously, the deduction was limited to 50 percent of the cost of premiums.

## Cyber Highway Opens to Truckers

Idaho has launched a new Web site to help truckers comply with the state's registration fees and fuels tax laws. The Idaho Trucking Portal at [trucking.idaho.gov](http://trucking.idaho.gov) allows trucking companies to take care of state and industry-related business around the clock. The Web site is a cooperative effort between



the Tax Commission, the Idaho Transportation Department, the Idaho State Police, and the state's official Web site developer, Access

Idaho. The site offers information and services from each of the agencies and links to the transportation sites of neighboring states and the federal government.

## Businesses Register Electronically

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Permits and account numbers are mailed to taxpayers within a few days of their online registration. A password will be assigned so an applicant can return to an unfinished application within a month to complete it.

The electronic application was developed by the Tax Commission, Idaho Commerce and Labor, and the Idaho Industrial Commission with the help of a federal grant.



## Where To Get Information

If you would like to know more about Idaho state taxes, visit the Idaho State Tax Commission's Web site at:

**[www.tax.idaho.gov](http://www.tax.idaho.gov)**

or call:

**TOLL-FREE**  
**800-972-7660**

or in the Boise area, **334-7660**.

### YOU CAN VISIT OUR OFFICES AT:

**Boise:** 800 Park Blvd., Plaza IV

**Idaho Falls:** 150 Shoup Ave., Ste. 16

**Lewiston:** 1118 F Street

**Pocatello:** 611 Wilson St., Ste. 5

**Twin Falls:** 1038 Blue Lakes Blvd. N., Ste. C

**Coeur d'Alene:** 1910 Northwest Blvd., Ste. 100

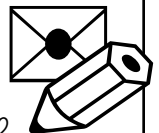
### HEARING IMPAIRED CALLERS:

Use the Idaho Relay Service 1-800-377-3529

Costs associated with this publication are available from the Idaho State Tax Commission in accordance with Section 60-202, Idaho Code.

Unless otherwise noted, information in TAX UPDATE applies only to Idaho taxes. This newsletter is designed to provide general information only, and is not intended to offer comprehensive explanations of Idaho tax laws and rules. Send comments about TAX UPDATE to:

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J U N E 2 0 0 4

This issue of Tax Update deals with:  
**NEW TAX LAWS & OTHER TOPICS**

IDAHO STATE TAX COMMISSION

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